

IS A CONTEMPORARY THEORY OF SOCIAL ENTREPRENEURSHIP NECESSARY FOR SUSTAINABLE WEALTH CREATION?

Suhaimi Mhd Sarif

International Islamic University Malaysia
KENMS, IIUM, Jalan Gombak, 53100 Kuala Lumpur, Malaysia
E-mail: albanjari@yahoo.com

Yusof Ismail

International Islamic University Malaysia
KENMS, IIUM, Jalan Gombak, 53100 Kuala Lumpur, Malaysia
E-mail: yusof_iiu@yahoo.com

ABSTRACT

The paper explores the need for a contemporary theory of social entrepreneurship for the contemporary knowledge/innovation-based economy. Classical theories such as Cantillon's Theory of Entrepreneurship, Jean Baptise Say (1767-1832)'s theory of entrepreneurship, Frank Knight's Risk Bearing Theory of Entrepreneurship (1885-1972), Alfred Marshall's Theory of Entrepreneurship (1980), Max Weber's Sociological Theory in entrepreneurship (1864-1920) and Mark Casson's Economic Theory (1945) are based on the role economic agents to transform economic variables into economic products for the market. Proponents for contemporary social entrepreneurship argued that there is a need for the new theory given to the complexity and dynamism of today's entrepreneurship. Thus, the study proposed research method and instrument to develop a contemporary theory for social entrepreneurship that is conclusive and generalisable. Prospective informants would be managers of technology parks, policy makers, government officers, and managers of technology-based firms. The expected results would develop a contemporary theory of social entrepreneurship. (150 words)

KEYWORDS

Social entrepreneurship, wealth creation, theory of entrepreneurship.

1. INTRODUCTION

In the globalised era, innovation-based economy has been identified by policy makers and business decision makers as sustainable mechanism to spearhead the economic growth. There have been some discussions on the how this economic approach can be applied by technology-based firms. There were studies focused on the role of government to assist technology-based firms to be innovative and sustainable in making profits (Antonelli, 2003; Berry, 2003; Bridges, 2005; Payton, 2003). However, government initiative alone is insufficient (Mistry, 2005; Walsh, Gazala, & Ham, 2001); the private sector needs to play a significant role.

There are great potentials for strategic collaboration between the government and technology-based firms to create and sustain new wealth (Tipton, 2002). In Malaysia, the innovation-based economy focuses on the role of technology-based sectors to create and sustain wealth for the nation.

Social entrepreneurship is an integrated entrepreneurship concept that includes both profit and social motives. In other words, this concept motivates entrepreneurs to venture into profitable, creative and innovative economic activities that address social and economic needs. Thus, it

enables entrepreneurs to create wealth sustainably, for the present and the future (Tilley and Young, 2006).

2. LITERATURE REVIEW

The classical and production-based theories of entrepreneurship are based mainly on production and market-demand. For example Cantillon's Theory of Entrepreneurship is based on the role economic agents to transform economic variables into economic products for the market. Jean Baptiste Say (1767-1832)'s theory of entrepreneurship contended that people work together as social agents for the betterment of the economy. Frank Knight's Risk Bearing Theory of Entrepreneurship (1885-1972) argued that risk taking (uncertainty) must be calculated and included in entrepreneurship to address dynamic nature of the economy. Alfred Marshall's Theory of Entrepreneurship (1980) is based on four factors of production, but together with knowledge on the industry, leadership skill and market. Max Weber's Sociological Theory (1864-1920) in entrepreneurship holds social cultures as the driving force of entrepreneurship. Mark Casson's Economic Theory (1945) holds that entrepreneurship is a result of friendly economic conditions. Social entrepreneurship is an integrated entrepreneurship concept that includes both profit and social motives. In other words, this concept motivates entrepreneurs to venture into profitable, creative and innovative economic activities that address social and economic needs. Thus, it enables entrepreneurs to create wealth sustainably, which is for the present and the future (Tilley and Young, 2006).

The commercially driven entrepreneurship has contributed greatly to the economic development. However, the contribution was not sustainable due to primary concern on profit making alone (Carree, Van Stel, Thurik & Wennekers, 2002). The main reason is largely due to the reasoning of the business owners. Some people had been thinking to make profit while contributing some benefits to the society. Thus, the research proposes that social entrepreneurship promotes wealth creation.

In contrast, there are proponents believe that entrepreneurial activity can be made more sustainable and caring (Cohen, Smith & Mitchell, 2008). Thus, social entrepreneurship energises enterprises to be more sustainable when enterprises integrate business, people and surroundings for more outcomes (Dyllick & Hockerts, 2002). Wealth creation and accumulation are embedded in the profit making oriented enterprises. There are many ways to create and accumulate wealth. One of them is through selling off technology-based assets or "high-tech divestitures" (Benou, Madura & Ngo, 2008). Other methods could be done through acquisition, revaluation of assets, and reengineering of financing method (Datta & Iskandar-Datta, 1995).

Alternatively, corporate restructuring (Kaisee & Stouraitis, 1995), "expropriation" (Cheung, Rau & Stouraitis, 2006), good governance (Rachagen & Satkunasingam, 2009), "asset transfers" (Cheung, Qi, Rau, & Stouraitis, 2009), and asset revaluation (Datta, Iskandar-Datta & Raman, 2003) can allow enterprises to create more value in the existing wealth. Thus, the research assumes that social entrepreneurship helps to sustain sustainable wealth creation.

Wealth creation is commended in Islam; however, wealth hoarding and earning profit through suppression and illegal means are highly cursed. Islam recognizes wealth creation as an enabler for Muslims to practice the Islamic teachings. In addition, wealth is a trust by Allah as in the form of bounties that will be held accountable in the Hereafter. Since wealth is a trust from Allah, mankind is commanded by Allah to manage this worldly life as prosperous as possible in accordance to the commandment of Allah (Hamid, 1989). In fact, Allah created this world purposely for human as a ground test to demonstrate true obedience and true submission to Allah (Al-Qur'an, 1997, al Dhariyat 51:56) and absolute obedience as vicegerent of Allah (al-Attas, 1990, p. 4).

There are many options for human to show obedience to Allah. Moreover, human beings have been provided with the Qur'an and the *Sunnah* (traditions) of Prophet Muhammad *Sollahu 'Alayhi wa Salam* (Peace be upon him the blessings from Allah) (Rahman, 1995).

Ahmad (1997, p.31) argued that wealth must be earned through fair and legal means. Allah does not accept any spending done out of *khability* (bad and impure). Lawfully acquired is considered as sacred and inviolable (unbreakable). Those who earned wealth through fair, legal and Islamically (or shari'ah compliant) accepted manners will gain Divine blessing (*barakah*). *Barakah* is an invisible divine blessing, which cannot be measured in monetary terms. Thus, the more righteous the conduct in the business, the more one will gain *barakah* (divine blessing).

Ahmad (1997, p.31) contended that a business will gain wealth and divine blessing when it is conducted with the experience, sound judgment of investment, and with ethical manner. One will get continuous divine blessing (*barakah*), when wealth is spent on benevolent and judicious course (*infaq*). Those who spent their wealth in the Islamically accepted course indicate the level of God fearing (*muttaqun*). In addition, the right spending of wealth can eliminate poverty and bring prosperity to the nation. Thus, wealth is related to prosperity, economic well being, and social justice.

As an integrated entrepreneurship concept, social entrepreneurship enhances wealth creation in a more "ethical" manner. It can be practiced by any enterprise. In recent years, wealth creation in high technology is highly participated by many enterprises. High technology is in line with Islam because it promotes advancement in technology to elevate the quality of life that is free from pollution and hazardous life. This is in line with Islam which promotes high quality of life in order to demonstrate true submission to Allah (Jabatan Kemajuan Islam Malaysia, 2004; Rahman, 1995).

The high technology sector requires innovation, which is essentially related to knowledge production activities. While knowledge is very fundamental in Islam, Muslims are called to use wisdom and resources to explore the entire universe. Moreover, Islam is the way of life (*Al Deen*) (Rahman, 1995) which encourages for betterment in life. The high technology ventures promise not only new source of wealth creation, but also another dimension for Muslim civilization (Jabatan Kemajuan Islam Malaysia, 2004). The principal argument is that the high technology sector is attributed to its innovativeness and competitiveness, which are in line with the spirit of Islam. In addition, this is also in line with the knowledge-based economy that emphasizes on knowledge and innovation as the enabler to wealth creation.

The high technology when less polluted can lead to higher productivity, which is the key to growth in any economy (Baily, Farrell, & Remes, 2006). Moreover, high technology requires continuous innovation. It is unlike the reality pursuing wealth to pass it on after death. Indeed, the process of acquiring wealth through this avenue is for individuals to create wealth for the society (Brown & Duguid, 1998). The pursuit of high technology requires concentrated efforts of all institutions to create and sustain capabilities to do so (Viorst, 1999). These efforts are praiseworthy and in line with Islamic perspectives (Cobham, 2006). Malaysia has taken bold approach to develop its high technology in order to build its own civilisation through the concept of 'Islamic Civilisation' or *Islam Hadhari*.

The landscape of competitive environment and customer preferences changes fairly quickly, and is often unpredictable. Nonaka (1995) suggests the changes urgently need knowledge intensive organizations to create knowledge continuously, and to exploit it to make successful new products, services, and systems. The decision to locate into technology parks (or industry clusters) may help organizations to acquire knowledge from/with the other firms (Porter, 1988).

The emergence of social entrepreneurship to create more wealth while making some charity to the society has been subscribed by many profit-driven enterprises. The move from 'short-term' oriented enterprises to 'long-term' oriented enterprises is conditioned by institutional, personal, and organisational factors. However, the radical change in the business environment has motivated enterprises to move to a more sustainable enterprise (Keijzers, 2002).

More importantly, when the focus on profit making alone is unable to sustain profit and better performance, it has convinced enterprises to rethink about social-based enterprises (Lux, 2003). Moreover, enterprises have been making charity to the society despite the strong implementation of capitalism (Acs & Phillips, 2002). Charity is considered important exit for the profit making enterprises to share the wealth despite some assertions on the compatibility between “profit maximisation” motive driven by the ‘free market’ capitalism system and the values of charity (Smith, 2008).

The establishment of enterprises through commercial or social entrepreneurship is very much welcomed due to the importance of entrepreneurship to the economic growth (Wennekers & Thurik, 1999). In addition, it has been viewed as the corporate social responsibility of enterprises that have made huge profit to return back to the society (Carroll, 1991). It has some “welfare” element when enterprises redistribute by giving the wealth in the form of “charity” to the society (Henrekson, 2006).

Based on the discussion in the literature, the research proposes two research questions. Firstly, what are the driving factors that enable social entrepreneurship to promote wealth creation? Secondly, in what ways social entrepreneurship can create and sustain wealth?

3. PROPOSED RESEARCH METHOD

The study uses qualitative method via semi structured personal interview with three types of informants - policy makers, government officers, and entrepreneurs of technology-based firms of selected Malaysian technology parks. Miles and Huberman (1994) argued that qualitative method is appropriate to examine complex and difficult contexts of study because they can put the situation/s in question into the right perspective. In addition, Marshall and Rossman (1989) recommended the use of qualitative methods to enable researchers to ask more questions in order to explore the context of the study in greater detail.

The nature of social entrepreneurship is dynamic because it involves different perspectives and understanding of different individuals. Such situations are best understood utilising qualitative method (Ezzy, 2002; Lee, 1999). Furthermore, qualitative method also enables the researcher to identify and understand the complex relationships in knowledge transfer between firms (Lee, 1999; Rist, 1994). By asking questions in personal interviews, the researcher will get varieties of answers that are relevant to the interview questions (Patton, 2002; Silverman, 1993).

There are many techniques to obtain data using qualitative method, such as active or passive participation and observation, personal interviews, content analysis on various documents, and case study (Patton, 2002; Lee, 1999; Creswell, 1998). The researchers proposed to use personal interviews for this research. Such method provides greater opportunity for the researcher to understand the perceptions and preliminary assessments of technology-based firms towards social entrepreneurship and sustainable wealth. Nevertheless, the researchers are aware of the challenges and constraints in using the qualitative method in this study.

4. EXPECTED RESULTS

The study plans to interview seven Malaysian technology parks, seven policy makers, government officers, and executives of technology-based firms. The objective of the study is to develop a contemporary theory of social entrepreneurship that is beyond the scope of classical, production-based and market-demand. Informants are requested to provide the key driving factors for contemporary social entrepreneurship that in turn promote wealth creation and society well being sustainably. The practical implications for the study would be on the need for decision makers to produce “transferable” instruments in the venture of social entrepreneurship for nation

capacity building. In addition, policy makers would formulate economic policies that support the business to integrate with social entrepreneurship.

The present model of Malaysian technology parks does not appear to accommodate instrument for the development of social entrepreneurship for the contemporary technology. Technology parks must be used to develop competencies, capacity building and technological competitiveness in the knowledge-based economy. A study by Ismail and Sarif (2006) has concluded Malaysian government has incorporated the national agenda in terms of providing employment opportunities and achieving good economic growth in the policy to support the development various contemporary technology.

5. CONCLUSION

The study proposed that there is a need to offer a contemporary theory of social entrepreneurship for the knowledge-based economy. The new paradigm of social entrepreneurship should be holistic and comprehensive, not only for wealth creation but also for the well being of the society. The basis for contemporary theory of social entrepreneurship is needed due to lack of input on social entrepreneurship from relevant stakeholders. The study also needs to use appropriate research instrument for insightful, robust, reliable, and conclusive.

ACKNOWLEDGEMENT

The authors would like to thank the Ministry of Higher Education Malaysia for the FRGS research fund (1/2011) and International Islamic University Malaysia for the research support and assistance.

REFERENCES

- Acs, Z.J. & Phillips, R.J. (2002). Entrepreneurship and philanthropy in American capitalism. *Small Business Economics*, 19 (3), 189-204.
- Ahmad, M. (1995). *Business Ethics in Islam*. Pakistan: IIIT.
- Al-Attas, S. M. N. (1990). *The nature of man and the psychology of the human soul a brief outline and a framework for an Islamic psychology and epistemology*. Kuala Lumpur: International Institute of Islamic Thought and Civilization.
- Al-Qur'an. (1997). *English Translation of the meaning of Al-Qur'an: The guidance for mankind*. Houston, Texas: The Institute of Islamic Knowledge.
- Anuwar, A., & Wong, P. K. (1993). Direct foreign investment in the Malaysian industrial sector. In K. S. Jomo (Ed.), *Industrialising Malaysia: Policy, Performance and Prospects* (pp. 77-117). New York: Routledge.
- Antonelli, C. (2003). The digital divide: Understanding the economics of new information and communication technology in the global economy. *Information Economics and Policy*, 15(2), 173-181.
- Baily, M., Farrell, D., & Remes, J. (2006). The hidden key to growth. *The International Economy*, 20(1), 48-56.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- Berry, L. C. (2003). Digital Divide: Technology and Our Future, 2000. *Multicultural Education*, 10(4), 63.
- Benou, G., Madura, J., Ngo, T. (2008). Wealth creation from high-tech divestitures. *Quarterly Review of Economics and Finance*, 48 (3), pp. 505-519
- Buchanan, T., & Smith, J. L. (1999). Using the Internet for psychological research: personality testing on the World Wide Web. *British Journal of Psychology*, 90, 125-144.
- Brown, J. S., & Duguid, P. (1998). Organizing knowledge. *California Management Review*, 40(3), 90-111.

- Carree, M., Van Stel, A., Thurik, R., Wennekers, S. (2002). Economic development and business ownership: An analysis using data of 23 OECD countries in the period 1976-1996. *Small Business Economics*, 19 (3), pp. 271-290.
- Carroll, A.B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34 (4), pp. 39-48.
- Cheung, Y-L, Rau, P.R., & Stouraitis, A. (2006). Tunneling, propping, and expropriation: evidence from connected party transactions in Hong Kong. *Journal of Financial Economics*, 82 (2), pp. 343-386
- Creswell, J. W. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage Publications.
- Cobham, D. (2006). Islamic perspectives on wealth creation. *The Journal of Development Studies*, 42(1), 158-163.
- Cohen, B., Smith, B., Mitchell, R. (2008). Toward a sustainable conceptualization of dependent variables in entrepreneurship research. *Business Strategy and the Environment*, 17 (2), pp. 107-119.
- Coomber, R. (1997). Using the internet for survey research. *Sociological Research Online*, 2, 1-13
- Datta, S., E., & Iskandar-Datta, M. (1995). Corporate partial acquisitions, total firm valuation and the effect of financing method. *Journal of Banking and Finance*, 19 (1), 97-115.
- Datta, S., Iskandar-Datta, M., & Raman, K. (2003). Value creation in corporate asset sales: The role of managerial performance and lender monitoring. *Journal of Banking and Finance*, 27 (2), 351-375.
- Department of Islamic Development Malaysia. (2004). *The concept of Islam Hadhari*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Dyllick, T., Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*, 11 (2), 130-141.
- Ezzy, D. (2002). *Qualitative analysis: practice and innovation*. Crows Nest, NSW: Allen & Unwin.
- Gwynne, P. (1997). Silicon Valley dreams beckon to Malaysia leaders. *Research Technology Management*, 40(5), 5-7.
- Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C., (1998). *Multivariate data analysis*, fifth edition. New Jersey: Prentice-Hall International, Inc.
- Hamid, A. W. (1989). *Islam the Natural Way*. London; Kuala Lumpur: MELS; A.S.Noordeen.
- Henrekson, M. (2006). Entrepreneurship and the welfare state: A reply. *Industrial and Corporate Change*, 15 (3), 579-593.
- Ismail, Y. and Sarif, S.M. (2006). Technology parks, knowledge transfer and innovation: the case of Malaysia's information and communication technology (ICT) small and medium enterprises, *International Journal of Information Systems for Logistics and Management*, 1(2), 133-142.
- Kaiser, K., & Stouraitis, A. (1995). Value creation through corporate restructuring: European divestitures. *European Management Journal*, 13 (2), 164-174.
- Keijzers, G. (2002). The transition to the sustainable enterprise. *Journal of Cleaner Production*, 10 (4), 349-359.
- Lux, K. (2003). The failure of the profit motive. *Ecological Economics*, 44 (1), 1-9.
- Marshall, C., & Rossman, G. B. (1989). *Designing qualitative research*. Newbury Park, CA: Sage Publications.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: an expanded sourcebook* (2nd ed.). Thousand Oaks, CA: Sage Publications.
- Mavis, B. E., & Brocato, J. J. (1998). Postal surveys versus electronic mail surveys: the tortoise and the hare revisited. *Evaluation & the Health Professions*, 21(2), 395-408.
- Nonaka, I. (1995). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14-37.
- Paridah, A. S. (1998). *Tun Abdul Razak: A phenomenon in Malaysian politics - A political biography*. Kuala Lumpur: Affluent.
- Patton, M. Q. (2002). *Qualitative Research & Evaluation Methods*. Thousand Oaks, CA: Sage Publications.
- Rachagan, S., & Satkunasingam, E. (2009). Improving corporate governance of SMEs in emerging economies: A Malaysian experience. *Journal of Enterprise Information Management*, 22 (4), 468-484.
- Rahman, A. (1995). *Islam ideology and the way of life*. Kuala Lumpur: A.S.Noordeen.
- Robinson, J.P., Shawer, P.R., & Wrightsman, L.S. (1991). Criteria for Scale Selection and Evaluation. In J.P. Robinson, P.R. Shawer & L.S. Wrightsman (Ed.) *Measures of personality and social*

- psychological attitudes*. San Diego, California: Academic Press.
- Samuel, J. B., & Brian, K. (2002). New approaches to assessing opinion: the prospects for electronic mail surveys. *International Journal of Public Opinion Research*, 14(1), 73-93.
- Schaefer, D. R., & Dillham, D. A. (1998). Development of a standard email methodology: results of an experiment. *Public Opinion Quarterly*, 62(2), 378-397.
- Smith, M. A., & Leigh, B. (1997). Virtual subjects: using the Internet as an alternative source of subjects and research environment. *Behavior Research Methods, Instruments, and Computer*, 29, 496-505.
- Smith, R.D. (2008). The value of charity in a world of profit maximization. *Journal of Human Values*, 14 (1), 49-61.
- Sproull, L. S. (1986). Using electronic mail for data collection in organizational research. *Academy of Management Journal*, 29(2), 159-169.
- Tilley, F. & Young, W. (2006). Sustainability entrepreneurs: Could they be the true wealth generators of the future? *Greener Management International*, (55), 79-92.
- Wennekers, S., Thurik, R. (1999). Linking Entrepreneurship and Economic Growth. *Small Business Economics*, 13 (1), 27-55.